

**CITY COURT OF  
LAKE CHARLES, LOUISIANA  
CITY OF LAKE CHARLES, LOUISIANA  
COMPONENT UNIT FINANCIAL REPORT  
DECEMBER 31, 2011 AND 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

**AUG 01 2012**

CITY COURT OF  
LAKE CHARLES, LOUISIANA

December 31, 2011

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CITY COURT OF  
LAKE CHARLES, LOUISIANA

December 31, 2011

JUDGES

Honorable John S. Hood

Honorable Thomas P. Quirk

# McELROY, QUIRK & BURCH

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01694 000 AUDIT 12/31/2011 1100 000 Financial report

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CFE - Certified Fraud Examiner  
CFT - Certified Financial Forecaster  
MT - Master of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

## REPORT OF INDEPENDENT AUDITORS

Honorable John S. Hood  
Honorable Thomas P. Quirk  
City Court of Lake Charles  
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the City Court of Lake Charles, Louisiana, a component unit of the City of Lake Charles, Louisiana, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the City Court's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City Court of Lake Charles, Louisiana management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City Court of Lake Charles, Louisiana, as of December 31, 2011 and 2010, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012, on our consideration of the City Court of Lake Charles, Louisiana's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12 and supplementary information as described in the table of contents on pages 30 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Ms Elroy Quirk & Busch*

Lake Charles, Louisiana  
June 26, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Lake Charles City Court's financial performance provides an overview of the City Court's financial activities for the years ended December 31, 2011 and 2010.

### **USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of City Court as a whole and present a longer-term view of the City Court's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City Court's operations in more detail than the government-wide statements by providing information about the City Court's most significant funds. The remaining statements provide financial information about activities for which the City Court acts solely as an agent for the benefit of those outside of the government.

### **Reporting the City Court as a Whole**

#### **The Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities report information about the City Court as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City Court's net assets and changes in them. The City Court's net assets - the difference between assets and liabilities - as one way to measure the City Court's financial position. Over time, increases or decreases in the City Court's net assets are one indicator of whether its financial health is improving or deteriorating.

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the City Court as a whole. Some funds are required to be established by State law. However, the City Court establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain money. City Court's governmental fund uses a certain account approach described below.

Governmental funds - All of the City Court's basic services are reported in governmental funds, except for one fiduciary fund. The governmental fund focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City Court's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City Court's programs.

#### **Reporting the City Court's Fiduciary Responsibilities**

The City Court is the agent, or fiduciary for the civil fund. All the City Court's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City Court's other financial statements because the City Court cannot use these assets to finance its operations. The City Court is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

#### **THE CITY COURT AS A WHOLE**

For the years ended December 31, 2011 and 2010, net assets changed as follows.

	<u>2011</u>	<u>2010</u>
Beginning net assets	\$ 2,841,274	\$ 2,345,998
Increase in net assets	<u>1,138,367</u>	<u>495,276</u>
Ending net assets	<u>\$ 3,979,641</u>	<u>\$ 2,841,274</u>

The City began paying the utilities of the City Court; therefore, the rent expense has been reduced causing the revenue for the Judicial Building to increase. Also, the waiving of warrant fees has been tightened with the Marshal; therefore, more fees are being collected resulting in more revenue.

An additional reason for the increase in net assets is due to the bill RS 13:1907 being passed for City Court stating that the civil fee account and such fee or cost has remained unclaimed in excess of five years and upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund, the judge of the court may transfer the amount of the surplus to the general operational fund of the court. The unclaimed amounts at December 31, 2011 and 2010 were \$58,932 and \$96,682, and were recorded in the general fund as revenue.

## Governmental Activities

This section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences. To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. It also identifies how much each function draws from the general revenues or if it is self-financing through fees. Some of the individual line item revenues reported for each function are:

Administration (general government)

Fees earned from violation tickets paid

Judicial

Fees earned through violation tickets paid but restricted to not pay Judge's salary/retirement

Judicial Building

Fees collected for current rent, maintenance and future building for City Court

	Functions/Programs			Totals	
	Administration	Judicial	Judicial Building	2011	2010
<b>Expenses</b>					
Salaries and benefits	\$ 98,176	\$ 174,594	\$ -	\$ 272,770	\$ 251,636
Materials and supplies	35,456	5,842	-	41,298	35,575
Professional development and training	33,163	11,122	-	44,285	51,365
Rent	-	-	66,811	66,811	65,687
Other expenses	34,339	37,885	-	72,224	95,613
Building expenses	-	-	210,000	210,000	-
Depreciation	16,873	2,177	-	19,050	19,659
Total expenses	<u>218,007</u>	<u>231,620</u>	<u>276,811</u>	<u>726,438</u>	<u>519,535</u>
<b>Program revenues</b>					
Charges for services	122,455	307,607	-	430,062	404,593
Intergovernmental revenue	-	-	750,000	750,000	-
Judicial building collections	-	-	382,635	382,635	336,440
General revenues	-	-	-	302,108	273,778
Total revenues	<u>122,455</u>	<u>307,607</u>	<u>1,132,635</u>	<u>1,864,805</u>	<u>1,014,811</u>
Change in net assets				<u>\$ 1,138,367</u>	<u>\$ 495,276</u>



# THE CITY COURT'S FUNDS

The fund balance of the City Court's general fund and special revenue fund increased by \$1,138,367 during the year ended December 31, 2011. This is primarily due to an increase in warrant fees collected on tickets, the increase of collections from the reinstatement fee for the suspension of drivers' licenses, and the forfeited money from the civil filing fees. Also, there have been funds contributed to the Judicial Building fund from other agencies because of the new court house construction being started in 2011.

The following schedule presents a summary of the general and special revenue funds and expenditures for the years ended December 31, 2011 and 2010. Also presented on the schedules are the amounts and percentages of increase or decrease from amounts for the year ended December 31, 2010.

	Totals		Change	%
	2011	2010	from 2010	Variance
Revenues.				
Charge for services	\$ 430,062	\$ 404,593	\$ 25,469	6.3%
Court cost and fines	287,713	266,241	21,472	8.1%
Interest income	3,380	1,260	2,120	168.2%
Intergovernmental revenue	750,000	-	750,000	100.0%
Miscellaneous income	11,055	6,277	4,778	76.1%
Judicial building collections	382,635	336,440	46,195	13.7%
Total revenues	<u>\$ 1,864,845</u>	<u>\$ 1,014,811</u>	<u>\$ 850,034</u>	<u>84.0%</u>

- \* Charges for services increased due to fluctuation in filing fees.
- \* Court cost and fines increased due to more collection attempts being taken.
- \* Miscellaneous income has increased due to fluctuation in credit card rates and charges
- \* Judicial building collections increased due to more seatbelts being written and paid

	Totals		Change	%
	2011	2010	from 2010	Variance
<b>Expenditures.</b>				
Bank service charges	\$ 471	\$ 980	\$ (509)	-51.9%
Dues and subscriptions	10,265	8,919	1,346	15.1%
Maintenance	3,226	6,831	(3,605)	-52.8%
Miscellaneous	50,555	68,120	(17,565)	-25.8%
Office expense	31,032	26,656	4,376	16.4%
Professional development and training	44,286	51,365	(7,079)	-13.8%
Rent	66,811	65,687	1,124	1.7%
Retirement	42,484	31,677	10,807	34.1%
Salaries	230,286	219,958	10,328	4.7%
Taxes-payroll	8,714	8,071	643	8.0%
Telephone	9,297	11,612	(2,315)	-19.9%
Intergovernmental transfer	210,000	-	210,000	100.0%
Capital outlay	34,552	15,682	18,870	120.3%
<b>Total expenditures</b>	<b>\$ 741,979</b>	<b>\$ 515,558</b>	<b>\$ 226,421</b>	<b>43.9%</b>

- \* Bank service charges decreased due to changing banks and getting better rates.
- \* Dues and subscriptions increased due to all employees being grandfathered into digital court reporting and dues being owed.
- \* Maintenance decreased due to not as much work done on building for security and maintenance as the prior year.
- \* Miscellaneous decreased due to an ad campaign that the Supreme Court strongly recommended done in the prior year.
- \* Office expense increased due to miscellaneous minor computer and software upgrades.
- \* Professional development and training decreased due to trying to travel less for training purposes.
- \* Retirement, salaries, & taxes increased due to the court supplementing a portion of the salaries of the employees.
- \* Telephone decreased due to regulating phone plans
- \* Intergovernmental transfer is payments to the city for court house loan.
- \* Capital outlay increased due to more being purchased this year as in the prior year

#### **SIGNIFICANT BUDGET VARIANCES**

Over the course of the year, the City Court revised the general fund and special revenue fund budgets one time. This amendment increased budgeted revenues and expenditures by \$209,050 and \$290,087, respectively. A list of the major changes from the original budget and explanations for those changes are as follows.

**Revenue:**

**\$34,000 Charges for services** Increased due to more tickets being paid than anticipated.

**\$63,000 Court cost and fines:** Increased because tickets normally having to appear in court are being allowed to be paid with a larger fine outside of court appearance and sending older tickets to a collection company for collection so did not anticipate as much being paid.

**\$(10,950) Miscellaneous:** Decreased due to adjusting recording of certain revenue in prior year and not in the current year.

**\$121,000 Judicial Building:** Increased due to more tickets being paid than anticipated and funds coming in to support building of court house.

**Expenses:**

**\$18,605 Miscellaneous:** Increased due to awareness campaign not being budgeted for and an increase in contract workers than budgeted for.

**\$17,707 Office:** Increased due to not budgeting for computer and software upgrades

**\$(13,250) Professional development and training:** Decreased due to not going to as many meetings and conferences as expected.

**\$14,200 Retirement:** Increase due to percentage rate increase on employer portion and was not budgeted for.

**\$20,000 Salaries:** Increased due to the court supplementing the pay of employees and having new hires.

**\$210,000 Intergovernmental transfer:** Increased due to Court starting to pay on the loan for the new Courthouse and was not budgeted for

**\$22,300 Capital outlay:** Increased due to computer upgrades being purchased this year and not budgeted for.

## **CAPITAL ASSETS**

At the end of December 31, 2011 and 2010, the City Court had \$451,503 and \$416,952 in capital assets. City Court does not have infrastructure of assets to report. This represents a net increase of \$34,551 and \$15,682 over the last two years due to the purchase of new computers, printers, video equipment and software.

	<u>2011</u>	<u>2010</u>
Equipment (i.e., computers, copy machines)	\$ 434,489	\$ 399,938
Furniture and fixtures (i.e., desks, chairs & filing cabinets)	<u>17,014</u>	<u>17,014</u>
	<u>\$ 451,503</u>	<u>\$ 416,952</u>

Difference \$(34,552) computers, printers, software & video equipment purchased

## **ECONOMIC FACTORS AND NEXT YEAR'S RATES**

With the recession, people are filing more evictions and money suits and this increases our fees. This trend should be leveling back out, but it is unsure how long this will take. Officers are more on the lookout and possibly issuing more tickets for people taking chances, creating an increase in fines and court cost. The court has now started turning over older tickets to a collection company that contacts people to get their tickets paid and so an increase in collections is projected. Also, in 2011 a Court house was started and so more activity will take place with Judicial Building Funds.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the City Court's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Court Clerk's office at PO Box 1664; Lake Charles, Louisiana.

Rebecca Liles  
City Court Comptroller

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 1,648,236	\$ 1,548,435
Cash - restricted	-	1,001
Due from other funds	<u>195,241</u>	<u>122,912</u>
Total current assets	<u>1,843,477</u>	<u>1,672,348</u>
Noncurrent assets:		
Cash - restricted	2,097,314	1,213,942
Capital assets (net)	<u>48,436</u>	<u>32,935</u>
Total noncurrent assets	<u>2,145,750</u>	<u>1,246,877</u>
Total assets	<u>3,989,227</u>	<u>2,919,225</u>
Liabilities:		
Accounts payable	3,450	3,037
Due to other agencies	<u>6,136</u>	<u>74,914</u>
Total liabilities	<u>9,586</u>	<u>77,951</u>
Net assets		
Invested in capital assets, net of related debt	48,436	32,935
Restricted-judicial building	2,097,314	1,214,943
Restricted-judicial expense	970,354	848,958
Unrestricted	<u>863,537</u>	<u>744,438</u>
Total net assets	<u>\$ 3,979,641</u>	<u>\$ 2,841,274</u>

The accompanying notes are an integral part of these statements.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2011

	<u>Functions/Programs</u>			
	<u>Administration</u>	<u>Judicial</u>	<u>Judicial Building</u>	<u>Total</u>
<b>Expenses</b>				
Salaries and benefits	\$ 98,176	\$ 174,594	\$ -	\$ 272,770
Materials and supplies	35,456	5,842	-	41,298
Professional development and training	33,163	11,122	-	44,285
Rent	-	-	66,811	66,811
Other program expense	34,339	37,885	-	72,224
Building expense	-	-	210,000	210,000
Depreciation	16,873	2,177	-	19,050
<b>Total expenses</b>	<b>218,007</b>	<b>231,620</b>	<b>276,811</b>	<b>726,438</b>
<b>Program revenues:</b>				
Charges for services	122,455	307,607	-	430,062
Intergovernmental revenue	-	-	750,000	750,000
Judicial building collections	-	-	382,635	382,635
<b>Net program expense (income)</b>	<b>\$ 95,552</b>	<b>\$ (75,987)</b>	<b>\$ (855,824)</b>	<b>(836,259)</b>
<b>General revenues:</b>				
Interest				3,340
Miscellaneous				11,055
Violations income				287,713
<b>Total general revenues</b>				<b>302,108</b>
<b>Change in net assets</b>				<b>1,138,367</b>
<b>Net assets - beginning</b>				<b>2,841,274</b>
<b>Net assets - ending</b>				<b>\$ 3,979,641</b>

The accompanying notes are an integral part of these statements

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2010

	Functions/Programs			Total
	Administration	Judicial	Judicial Building	
<b>Expenses</b>				
Salaries and benefits	\$ 91,290	\$ 160,346	\$ -	\$ 251,636
Materials and supplies	33,337	2,238	-	35,575
Professional development and training	35,607	15,758	-	51,365
Rent	-	-	65,687	65,687
Other program expense	65,174	30,439	-	95,613
Depreciation	17,473	2,186	-	19,659
Total expenses	242,881	210,967	65,687	519,535
<b>Program revenues:</b>				
Charges for services	110,015	294,578	-	404,593
Judicial building collections	-	-	336,440	336,440
Net program expense (income)	\$ 132,866	\$ (83,611)	\$ (270,753)	(221,498)
<b>General revenues:</b>				
Interest				1,260
Miscellaneous				6,277
Violations income				266,241
Total general revenues				273,778
Change in net assets				495,276
Net assets - beginning				2,345,998
Net assets - ending				\$ 2,841,274

The accompanying notes are an integral part of these statements

CITY COURT OF  
LAKE CHARLES, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2011  
With Comparative Totals for December 31, 2010

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds	
			2011	2010
Current assets				
Cash	\$ 697,640	\$ 950,596	\$ 1,648,236	\$ 1,548,435
Due from other funds	<u>175,483</u>	<u>19,758</u>	<u>195,241</u>	<u>122,912</u>
Total current assets	873,123	970,354	1,843,477	1,671,347
Restricted assets				
Cash	<u>2,097,314</u>	<u>-</u>	<u>2,097,314</u>	<u>1,214,943</u>
Total assets	<u>\$ 2,970,437</u>	<u>\$ 970,354</u>	<u>\$ 3,940,791</u>	<u>\$ 2,886,290</u>
LIABILITIES				
Current liabilities (payable from current assets):				
Accounts payable	\$ 3,450	\$ -	\$ 3,450	\$ 3,037
Due to other agencies	<u>6,136</u>	<u>-</u>	<u>6,136</u>	<u>74,914</u>
Total current liabilities payable from current assets	<u>9,586</u>	<u>-</u>	<u>9,586</u>	<u>77,951</u>
FUND BALANCES				
Fund balance:				
Restricted	-	970,354	970,354	848,958
Assigned	2,097,314	-	2,097,314	1,214,943
Unassigned	<u>863,537</u>	<u>-</u>	<u>863,537</u>	<u>744,438</u>
Total fund balance	<u>2,960,851</u>	<u>970,354</u>	<u>3,931,205</u>	<u>2,808,339</u>
Total liabilities and fund balances	<u>\$ 2,970,437</u>	<u>\$ 970,354</u>		
Amounts reported for governmental activities in the statement of net assets are different because Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$334,578			<u>48,436</u>	<u>32,935</u>
Net assets of government activities			<u>\$ 3,979,641</u>	<u>\$ 2,841,274</u>

The accompanying notes are an integral part of these statements.



CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS

Year Ended December 31, 2011

With Comparative Totals for Year Ended December 31, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds	
			2011	2010
<b>Revenues</b>				
Charges for services	\$ 122,455	\$ 307,607	\$ 430,062	\$ 404,593
Court costs and fines	287,713	-	287,713	266,241
Interest income	3,082	298	3,380	1,260
Intergovernmental revenue	750,000	-	750,000	-
Miscellaneous	7,962	3,093	11,055	6,277
Judicial building collections	382,635	-	382,635	336,440
Total revenues	<u>1,553,847</u>	<u>310,998</u>	<u>1,864,845</u>	<u>1,014,811</u>
<b>Expenditures:</b>				
Current:				
Bank service charges	471	-	471	980
Dues and subscriptions	7,430	2,835	10,265	8,919
Maintenance	3,226	-	3,226	6,831
Miscellaneous	14,257	36,298	50,555	68,120
Office expense	28,025	3,007	31,032	26,656
Professional development and training	44,261	25	44,286	51,365
Rent	66,811	-	66,811	65,687
Retirement	42,484	-	42,484	31,677
Salaries	92,702	137,584	230,286	219,958
Taxes - payroll	8,714	-	8,714	8,071
Telephone	7,710	1,587	9,297	11,612
Intergovernmental transfer	210,000	-	210,000	-
Capital outlay	26,286	8,266	34,552	15,682
Total expenditures	<u>552,377</u>	<u>189,602</u>	<u>741,979</u>	<u>515,558</u>
Excess (deficiency) of revenues over expenditures	1,001,470	121,396	1,122,866	499,253
Fund balances - beginning	<u>1,959,381</u>	<u>848,958</u>	<u>2,808,339</u>	<u>2,309,086</u>
Fund balances - ending	<u>\$ 2,960,851</u>	<u>\$ 970,354</u>	<u>\$ 3,931,205</u>	<u>\$ 2,808,339</u>

(continued on next page)

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS

Year Ended December 31, 2011

With Comparative Totals for Year Ended December 31, 2010

	Total Governmental Funds	
	2011	2010
Reconciliation of the change in fund balances-total governmental funds to the change in net assets of governmental activities		
Net change in fund balances-total governmental funds	\$ 1,122,866	\$ 499,253
Amounts reported for governmental activities in the statement of activities are different because. Governmental funds report capital outlays while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.		
Capital asset purchases capitalized	34,551	15,682
Depreciation expense	<u>(19,050)</u>	<u>(19,659)</u>
Change in net assets of governmental activities	<u>\$ 1,138,367</u>	<u>\$ 495,276</u>

The accompanying notes are an integral part of these statements

CITY COURT OF  
LAKE CHARLES, LOUISIANA

STATEMENTS OF NET ASSETS - FIDUCIARY FUNDS  
December 31, 2011 and 2010

ASSETS	Agency Funds	
	2011	2010
Cash	\$ 455,649	\$ 504,999
Receivables for civil cases	<u>3,193</u>	<u>6,455</u>
Total assets	<u>\$ 458,842</u>	<u>\$ 511,454</u>
LIABILITIES	Agency Funds	
	2011	2010
Accounts payable	\$ 481	\$ 10,295
Deposits held for disposition of civil cases	263,120	378,247
Due to other funds	<u>195,241</u>	<u>122,912</u>
Total liabilities	<u>\$ 458,842</u>	<u>\$ 511,454</u>

The accompanying notes are an integral part of these statements

CITY COURT OF  
LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

1 Summary of Significant Accounting Policies

The City Court of Lake Charles, Louisiana (City Court) is responsible for judicial court hearings held for the City of Lake Charles, Louisiana (City)

The financial statements of the City Court have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City Court applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City Court does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The City Court's more significant accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements include the various activities that are within the control and authority of the City Court. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will be by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the City Court is a component unit of the City and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the City Court.

## B. Basis of Presentation

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Internal service fund activity is eliminated to avoid doubling up revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements.

The Statement of Net Assets and the Statement of Activities report financial information for the City Court as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) court cost charges to users for the City Court's services, (2) court cost charges which finance annual building rental and maintenance. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

### FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

#### GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City Court. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - Special Revenue Funds are used to account for all specific revenue sources that are legally restricted to expenditures for specified purposes.

## FIDUCIARY FUND TYPES

Agency Fund - The Agency Fund is used to account for assets held by the City Court as an agent for individuals, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results in operations.

### C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The City Court currently has one agency fiduciary fund. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

### D. Budgets and Budgetary Accounting

The Comptroller prepares a proposed budget and submits it to the City Court Judges prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Any revisions that alter total expenditures of any fund must be approved by the Judges. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. All budgetary appropriations lapse at the end of each fiscal year.

Budgets for the General and Special Revenue Funds are adopted on a modified accrual basis of accounting. Budgeted amounts are as originally adopted, or as amended by the City Court Judges.

E Cash

The City Court's cash is considered to be cash on hand and demand deposits.

F. Restricted Assets

These assets consist of cash deposits restricted for various purposes as detailed in Note 4.

G Capital Assets and Depreciation

The Accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows.

Buildings	15 to 40 years
Improvements, other than buildings	5 to 40 years
Machinery and equipment	3 to 15 years
Furniture and fixtures	3 to 10 years

2. Compliance and Accountability

Deposit laws and regulations (restricted assets)

Judicial Building Fund - In accordance with Louisiana Statute RS 13.1899, the City Court collects a filing fee and places it in an account dedicated exclusively to the acquisition, leasing, construction, equipping and maintenance of new and existing city courts.

Judicial Expense Fund - In accordance with Louisiana Statute RS 13 996, the City Court collects from every person from payment of court costs, an additional sum to be placed in a separate account designated as the Judicial Expense Fund. This fund is established and may be used for any purpose or purposes connected with, incidental to or related to the proper administration or function of the City Court. No salary may be paid from the Judicial Expense Fund to any of the judges of the City Court.

Building Maintenance Fund - In accordance with Louisiana Statute RS 13:2080.1, the City Court collects from every person filing any type of civil suit or proceeding and who is not otherwise exempt by law from payment of court cost, an additional sum to be placed in a separate account designated as the Building Maintenance Fund. This fund is established and may be used for any capital improvements for the building housing the city court.

### 3 Cash

In accordance with a fiscal agency agreement which is approved by the City Judges, the City Court maintains demand and time deposits through an administrator bank at participating local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or any Louisiana parish, municipality, or school district. The City Court's bank and demand and time deposits at year end were not fully collateralized. See schedule of findings and questioned costs item 2011-02.

The deposits at December 31, 2011 are as follows.

December 31, 2011	<u>Demand Deposits</u>
Carrying amount	\$ <u>4,302,376</u>
Bank balances.	
a. Federally insured	\$ 500,000
b. Collateralized by securities held by the Pledging financial institution	2,686,744
c. Uncollateralized and uninsured	<u>1,115,632</u>
Total bank balances	\$ <u>4,302,376</u>



4 Restricted Assets - Cash

Restricted assets described in Note 2 as of December 31, 2011 and 2010, are as follows:

	2011	2010
Cash deposits		
Judicial building fund	\$ 1,956,175	\$ 1,133,922
Judicial expense fund	-	1,001
Building maintenance fund	141,139	80,020
Total restricted cash	<u>\$ 2,097,314</u>	<u>\$ 1,214,943</u>

5 Capital Assets

Capital asset activity for the year ending December 31, 2011, was as follows:

	Balance 1/1/11	Additions	Deletions	Balance 12/31/11
Governmental activities				
Equipment	\$ 399,938	\$ 34,551	\$ -	\$ 434,489
Furniture and fixtures	17,014	-	-	17,014
Totals at historical cost	<u>416,952</u>	<u>34,551</u>	<u>-</u>	<u>451,503</u>
Less accumulated depreciation				
Equipment	370,106	18,224	-	388,330
Furniture and fixtures	13,911	826	-	14,737
Total accumulated depreciation	<u>384,017</u>	<u>19,050</u>	<u>-</u>	<u>403,067</u>
Governmental activities capital assets, net	<u>\$ 32,935</u>	<u>\$ 15,501</u>	<u>\$ -</u>	<u>\$ 48,436</u>

Capital asset activity for the year ending December 31, 2010, was as follows

	Balance 1/1/10	Additions	Deletions	Balance 12/31/10
Governmental activities				
Equipment	\$ 386,197	\$ 13,741	\$ -	\$ 399,938
Furniture and fixtures	15,073	1,941	-	17,014
Totals at historical cost	<u>401,270</u>	<u>15,682</u>	<u>-</u>	<u>416,952</u>
Less accumulated depreciation				
Equipment	351,136	18,970	-	370,106
Furniture and fixtures	13,222	689	-	13,911
Total accumulated depreciation	<u>364,358</u>	<u>19,659</u>	<u>-</u>	<u>384,017</u>
Governmental activities capital assets, net	<u>\$ 36,912</u>	<u>\$ (3,977)</u>	<u>\$ -</u>	<u>\$ 32,935</u>

6 Fund Balance

In accordance with Government Accounting Standards Board Statement No 54, Fund Balance Reporting and Governmental Fund Type Definitions, City Court classifies governmental fund balances as follows.

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the Judges) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes which that are neither considered restricted or committed. Fund balance may be assigned by the Judges.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

City Court uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

City Court does not have a formal minimum fund balance policy

7. Retirement Benefits

Louisiana State Employees' Retirement System (LASERS)

Plan description

The City Court Judges participate in the LASERS, a cost sharing municipal employer defined benefit pension plan administered by a separate Board of Trustees. LASERS provide retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. LASERS issue a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana's State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana, 70804-4213, or by calling (225)922-0600

Funding policy.

The City Court Judges are required by Louisiana State Statute to contribute 11.5% of their annual covered salary and the City Court is required to contribute at an actuarially determined rate. The employer rates for 2011, 2010, and 2009 were 31.8%, 22.0%, and 18.6%, of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year fiscal year. The City Court's contributions to LASERS for the years ended December 31, 2011, 2010, and 2009 were \$37,010, \$27,119, and \$23,137, and were equal to the required contribution for the years.

8. Pension Plan

Municipal Employees Retirement System

Plan description

The Lake Charles City Court contributes to the Municipal Employees Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employees Retirement System, State of Louisiana. The Municipal Employees Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the system. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his

tenure; one of whom shall be the Senate Retirement Committee, one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The Lake Charles City Court is a member of plan "B" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employees Retirement System for the period ended June 30, 2011.

**Funding policy:**

Plan members are required to contribute 5.00% of their annual covered salary and the Lake Charles City Court is required to contribute at a statutorily determined rate. The current rate is 6.75% of annual covered payroll. The contribution requirements of plan members and the Lake Charles City Court are established and may be amended by the Board of Trustees. The Lake Charles City Court contributions to the Municipal Employees Retirement System of Louisiana for 2011, 2010 and 2009 were \$5,474, \$4,558 and \$4,289, respectively, equal to the required contributions for each year.

**9 Operating Leases**

**Operating lease - building:**

The City Court of Lake Charles and the Housing Authority of the City of Lake Charles had a lease agreement for the year ended December 31, 2011. The City Court leased 13,181 square feet of the property located at 800 Bilbo Street, Lake Charles, Louisiana from the Housing Authority. A sum of \$5,272 assessed as monthly rent and 70% of the utilities required for the operation of the building were paid quarterly by the City Court. As of October 1, 2003, the City of Lake Charles, Louisiana began to pay the utilities for the City Court. Total payments for the years ended December 31, 2011 and 2010 were \$63,269 and \$63,269.

10. Louisiana Revised Statutes Concerning Mandated Fees

Louisiana Revised Statutes mandate fees to be assessed to each claim filed through the City Court Civil Section. The Judges are legally entitled to a portion of these fees. Louisiana Revised Statute 13:1874 1 limits the amount of salary legally of a City Court Judge to that not exceeding a District Court Judge of the Judicial District in which the City Court is located. Because the fees assessed amount to greater than the judges' salary expended, an overage has been created. The overage can be used by the judges as they deem proper, as long as the expenditures from the overage are not direct or indirect compensation to the judges. Once the fee is assessed and collected in the Agency Fund it is transferred to the Special Revenue Fund where the judges' salaries and retirement payments are expended.

11 Louisiana Revised Statutes Concerning Forfeited Deposits

Louisiana Revised Statute 13:1907 establishes whenever a surplus of filing fees and cost has accumulated in the City Court of Lake Charles civil fee account and such fee or cost has remained unclaimed in excess of five years, the City Court may transfer the amount of surplus to the general operational fund of the court upon receipt of evidence that notice has been provided or attempted at the last known address to the person who would be due a refund.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2011

Required supplementary information includes financial information and disclosures that are required by GASB and are not considered a part of the basic financial statements. Such information includes:

- Budgetary comparison schedules - General Fund and Special Revenue Fund

CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GENERAL FUND BUDGET (GAAP BASIS) AND ACTUAL  
Years ended December 31, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 96,000	\$ 130,000	\$ 122,455	\$ (7,545)
Court costs and fines	167,000	230,000	287,713	57,713
Interest income	1,000	3,000	3,082	82
Miscellaneous income	19,200	8,250	7,962	(288)
Judicial building grant	-	750,000	750,000	-
Judicial building collections	279,000	400,000	382,635	(17,365)
Total revenues	<u>562,200</u>	<u>1,521,250</u>	<u>1,553,847</u>	<u>32,597</u>
<b>Expenditures</b>				
Bank service charges	730	505	471	34
Dues and subscriptions	5,100	7,000	7,430	(430)
Maintenance	6,500	4,500	3,226	1,274
Miscellaneous	3,200	12,290	14,257	(1,967)
Office expense	21,660	37,440	28,025	9,415
Professional development and training	62,400	49,150	44,261	4,889
Rent	65,271	65,271	66,811	(1,540)
Retirement	28,300	42,500	42,484	16
Salaries	70,000	90,000	92,702	(2,702)
Taxes - payroll	6,400	8,700	8,714	(14)
Telephone	9,000	7,700	7,710	(10)
Intergovernmental transfer	-	210,000	210,000	-
Capital outlay	12,000	26,300	26,286	14
Total expenditures	<u>290,561</u>	<u>561,356</u>	<u>552,377</u>	<u>8,979</u>
Excess (deficiency) of revenues over expenditures	271,639	959,894	1,001,470	41,576
Fund balances - beginning	<u>1,959,381</u>	<u>1,959,381</u>	<u>1,959,381</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,231,020</u>	<u>\$ 2,919,275</u>	<u>\$ 2,960,851</u>	<u>\$ 41,576</u>

## CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 GENERAL FUND BUDGET (GAAP BASIS) AND ACTUAL  
 Years ended December 31, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Charges for services	\$ 96,000	\$ 110,000	\$ 110,015	\$ 15
Court costs and fines	167,000	267,000	266,241	(759)
Interest income	1,000	900	939	39
Miscellaneous income	19,200	3,200	3,307	107
Judicial building collections	279,000	337,000	336,440	(560)
Total revenues	<u>562,200</u>	<u>718,100</u>	<u>716,942</u>	<u>(1,158)</u>
Expenditures:				
Bank service charges	689	719	730	(11)
Dues and subscriptions	5,100	7,300	7,814	(514)
Maintenance	6,500	6,200	6,354	(154)
Miscellaneous	7,400	41,425	41,326	99
Office expense	21,660	25,200	25,523	(323)
Professional development and training	61,282	51,220	51,340	(120)
Rent	65,271	65,500	65,687	(187)
Retirement	28,280	31,500	31,677	(177)
Salaries	70,000	87,000	86,732	268
Taxes - payroll	6,400	8,000	8,071	(71)
Telephone	9,000	8,600	8,694	(94)
Capital outlay	12,000	13,500	13,755	(255)
Total expenditures	<u>293,582</u>	<u>346,164</u>	<u>347,703</u>	<u>(1,539)</u>
Excess (deficiency) of revenues over expenditures	268,618	371,936	369,239	(2,697)
Fund balances - beginning	<u>1,590,142</u>	<u>1,590,142</u>	<u>1,590,142</u>	-
Fund balances - ending	<u>\$ 1,858,760</u>	<u>\$ 1,962,078</u>	<u>\$ 1,959,381</u>	<u>\$ (2,697)</u>



CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
SPECIAL REVENUE FUND BUDGET (GAAP BASIS) AND ACTUAL  
Years Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services	\$ 294,578	\$ 294,578	\$ 307,607	\$ 13,029
Interest income	321	321	298	(23)
Miscellaneous	2,970	2,970	3,093	123
Total revenues	<u>297,869</u>	<u>297,869</u>	<u>310,998</u>	<u>13,129</u>
<b>Expenditures:</b>				
Bank service charges	250	-	-	-
Dues and subscriptions	1,105	3,000	2,835	165
Maintenance	477	-	-	-
Miscellaneous	26,795	36,310	36,298	12
Office expense	1,133	3,060	3,007	53
Professional development and training	25	25	25	-
Salaries	133,227	133,227	137,584	(4,357)
Telephone	2,918	1,600	1,587	13
Capital outlay	-	8,000	8,266	(266)
Total expenditures	<u>165,930</u>	<u>185,222</u>	<u>189,602</u>	<u>(4,380)</u>
Excess (deficiency) of revenues over expenditures	131,939	112,647	121,396	8,749
Fund balances - beginning	<u>848,958</u>	<u>848,958</u>	<u>848,958</u>	<u>-</u>
Fund balances - ending	<u>\$ 980,897</u>	<u>\$ 961,605</u>	<u>\$ 970,354</u>	<u>\$ 8,749</u>

CITY COURT OF LAKE CHARLES, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
SPECIAL REVENUE FUND BUDGET (GAAP BASIS) AND ACTUAL  
Years Ended December 31, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Charges for services	\$ 300,000	\$ 295,000	\$ 294,578	\$ (422)
Interest income	180	320	321	1
Miscellaneous	3,384	3,000	2,970	(30)
Total revenues	<u>303,564</u>	<u>298,320</u>	<u>297,869</u>	<u>(451)</u>
Expenditures:				
Bank service charges	250	250	250	-
Dues and subscriptions	1,800	1,100	1,105	(5)
Maintenance	100	500	477	23
Miscellaneous	10,700	26,000	26,793	(794)
Office expense	2,029	1,160	1,133	27
Professional development and training	285	25	25	-
Salaries	128,869	135,000	133,227	1,773
Telephone	1,428	3,000	2,918	82
Capital outlay	4,657	-	1,927	(1,927)
Total expenditures	<u>150,118</u>	<u>167,035</u>	<u>167,855</u>	<u>(821)</u>
Excess (deficiency) of revenues over expenditures	153,446	131,285	130,014	(1,272)
Fund balances - beginning	<u>718,944</u>	<u>718,944</u>	<u>718,944</u>	<u>-</u>
Fund balances - ending	<u>\$ 872,390</u>	<u>\$ 850,229</u>	<u>\$ 848,958</u>	<u>\$ (1,272)</u>

# McELROY, QUIRK & BURCH

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CFE - Certified Fraud Examiner  
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MT - Masters of Taxation  
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CFP - Certified Financial Planner

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable John S. Hood  
Honorable Thomas P. Quirk  
City Court of Lake Charles  
Lake Charles, Louisiana

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the City Court of Lake Charles, Louisiana (City Court), a component unit of the City of Lake Charles, Louisiana, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City Court's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 11-01.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2011-02.

City Court's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City Court's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Court Judges, management, state awarding agencies, pass-through entities, others within the entity, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Burch*

Lake Charles, Louisiana  
June 26, 2012

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2011

We have audited the financial statements of the City Court of Lake Charles, Louisiana as of and for the year ended December 31, 2011, and have issued our report thereon dated June 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2011 resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material weaknesses   X   Yes        No

Other conditions        Yes   X   No

Compliance

Compliance material to financial statements        Yes   X   No

(continued on next page)

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2011  
(Continued)

Section II - Financial Statement Findings

2011-01

Criteria:	Effective internal control requires adequate segregation of duties among client personnel.
Condition:	Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.
Effect:	Without proper segregation of duties, errors within the financial records or fraud could go undetected.
Recommendation:	To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.  This condition was also reported as a result of the prior year's audit.
Response	Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve an adequate level of segregation of responsibilities. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures and periodic review of bank reconciliations

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2011  
(Continued)

2011-02

Criteria:	Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value
Condition	Deposits in excess of federally insured amounts were not fully collateralized at year end
Effect:	Without adequate collateral, the deposits are subject to deposit risk
Recommendation	Management should ensure that all deposits in excess of federally insured amounts are collateralized.
Response:	This issue was immediately correct after year end.

CITY COURT OF  
LAKE CHARLES, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2011

2010-01

Condition	Effective internal control requires adequate segregation of duties among client personnel. Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.
Recommendation	To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.
Current status.	See current year reportable condition 2011-01